



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**



**TENNESSEE RESIDENCE FOUNDATION**

**Financial and Compliance Audit Report**

For the Year Ended December 31, 2015

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**Justin P. Wilson, Comptroller**



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COMPTROLLER OF THE TREASURY  
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DIVISION OF STATE AUDIT

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April 14, 2016

The Honorable Bill Haslam, Governor  
Members of the General Assembly  
Board of Directors, Tennessee Residence Foundation

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Residence Foundation for the year ended December 31, 2015. You will note from the independent auditor's report that an unmodified opinion was given on the fairness of the presentation of the financial statements.

Sincerely,

A handwritten signature in black ink, reading "Deborah V. Loveless".

Deborah V. Loveless, CPA  
Director

**Audit Report**  
**Tennessee Residence Foundation**  
**For the Year Ended December 31, 2015**

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**TABLE OF CONTENTS**

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	<u>Page</u>
<b>Audit Highlights</b>	1
<b>Financial Section</b>	
Independent Auditor's Report	2
Basic Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows	6
Notes to the Financial Statements	7

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

## **Tennessee Residence Foundation**

For the Year Ended December 31, 2015

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### **Opinion on the Financial Statements**

The opinion on the financial statements is unmodified.

### **Audit Findings**

The audit report contains no findings.



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## **Independent Auditor's Report**

The Honorable Bill Haslam, Governor  
Members of the General Assembly  
Board of Directors, Tennessee Residence Foundation

We have audited the accompanying financial statements of the Tennessee Residence Foundation, a component unit of the State of Tennessee, as of and for the years ended December 31, 2015, and December 31, 2014, and the related notes to the financial statements, which collectively comprise the Tennessee Residence Foundation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Residence Foundation as of December 31, 2015, and December 31, 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters – Required Supplementary Information***

The Tennessee Residence Foundation has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Deborah V. Loveless, CPA  
Director  
March 24, 2016

**TENNESSEE RESIDENCE FOUNDATION**  
**Statements of Net Position**  
**December 31, 2015, and December 31, 2014**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
<b>Assets</b>		
Current assets:		
Cash (Note 2)	\$690,162.69	\$352,357.71
Contributions receivable (Note 4)	-	50,000.00
Inventory	3,897.04	5,859.05
Total assets	694,059.73	408,216.76
<b>Liabilities</b>		
Current liabilities		
Accounts payable	107.90	96,728.66
Sales tax payable	-	1,332.00
Total liabilities	107.90	98,060.66
<b>Net position</b>		
Unrestricted (Note 6)	693,951.83	310,156.10
Total net position	\$693,951.83	\$310,156.10

The notes to the financial statements are an integral part of this statement.



**TENNESSEE RESIDENCE FOUNDATION**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2015, and December 31, 2014**

	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>Operating revenues</b>		
Contributions (Notes 3 and 5)	\$703,308.41	\$251,174.38
Proceeds from sales of mementos	17,691.95	12,884.74
Total operating revenues	721,000.36	264,059.12
<b>Operating expenses</b>		
Fundraising	82,166.06	10,502.22
Management and general	10,840.45	10,025.76
Phase IV- Garden restoration plan	244,382.67	594,704.23
Total operating expenses	337,389.18	615,232.21
Operating income (loss)	383,611.18	(351,173.09)
<b>Nonoperating revenue</b>		
Investment income	184.55	265.99
Total nonoperating revenue	184.55	265.99
Increase (decrease) in net position	383,795.73	(350,907.10)
Net position - beginning of year	310,156.10	661,063.20
Net position - end of year	\$693,951.83	\$ 310,156.10

The notes to the financial statements are an integral part of this statement.

**TENNESSEE RESIDENCE FOUNDATION**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2015, and December 31, 2014**

	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>Cash flows from operating activities</b>		
Contributions	\$713,308.41	\$380,174.38
Proceeds from sales of mementos	17,691.95	12,884.74
Payments to contractors	(339,778.06)	(514,466.05)
Payments to suppliers	(53,601.87)	(38,304.01)
Net cash provided (used) by operating activities	337,620.43	(159,710.94)
<b>Cash flows from investing activities</b>		
Investment income	184.55	265.99
Net cash provided by investing activities	184.55	265.99
Net increase (decrease) in cash	337,804.98	(159,444.95)
Cash - beginning of year	352,357.71	511,802.66
Cash - end of year	\$690,162.69	\$352,357.71
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$383,611.18	\$(351,173.09)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
Receivables, net	50,000.00	129,000.00
Inventories	1,962.01	(5,859.05)
Accounts payable	(96,620.76)	66,989.20
Sales tax payable	(1,332.00)	1,332.00
Net cash provided (used) by operating activities	\$337,620.43	\$(159,710.94)

The notes to the financial statements are an integral part of this statement.

**TENNESSEE RESIDENCE FOUNDATION**  
**Notes to the Financial Statements**  
**December 31, 2015 and December 31, 2014**

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**Note 1. Summary of Significant Accounting Policies**

**Reporting Entity**

The Tennessee Residence Foundation (the “Foundation”), as created by Tennessee Public Acts of 1999, Chapter 212, is a 501(c)(3) not-for-profit organization that was incorporated on December 5, 2000. The original purpose of the Foundation was to purchase, receive through loan, or otherwise acquire or dispose of furnishings, fixtures, works of art, and other articles which are of Tennessee origin or of particular historic or artistic interest to the citizens of Tennessee, or which are otherwise needed to furnish and to permanently enhance the interior décor of the public reception and formal entertainment areas within the Tennessee executive residence. That purpose was expanded by Tennessee Public Acts of 2005, Chapter 267, to include raising and spending funds for the renovation, restoration, reconstruction, expansion, and upkeep of the executive residence.

The Tennessee Residence Foundation is governed by a seven-member board of directors. The board of directors consists of the Governor’s spouse, or designee if the Governor is not married; three members, one from each grand division of the state, appointed by the Governor; the chair of the Tennessee State Museum Foundation Board; and two additional members, selected by the Governor from the membership of the Tennessee State Museum Foundation Board.

The Tennessee Residence Foundation is a component unit of the State of Tennessee. In addition to the appointment of the board of directors, the state has the ability to influence the decisions of the board of directors and is a beneficiary of the Foundation’s activities. Because of materiality considerations, the Foundation has not been reported in the *Tennessee Comprehensive Annual Financial Report*.

**Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to special-purpose governments engaged only in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

**Basis of Accounting**

For financial statement purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. Contributions are recorded as a promise is received. Grants and similar items are recognized as revenue as soon as all of the provider’s eligibility requirements have been met.

## **Notes to the Financial Statements (Continued)**

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Amounts reported as operating revenues include contributions and sales of mementos. Operating expenses for the Foundation include fundraising, management and general, and restoration/renovation/expansion costs.

Other activity is nonoperating in nature and includes investment income.

When both restricted and unrestricted resources are available for use, generally it is the Foundation's policy to use the restricted resources first.

### **Note 2. Deposits**

At December 31, 2015, the Foundation had cash of \$690,162.69 in demand deposits and cash on hand. The combined bank balance of the deposits was \$690,162.69.

At December 31, 2014, the Foundation had cash of \$352,357.71 in demand deposits and cash on hand. The combined bank balance of the deposits was \$352,357.71. Of this amount, \$2,183.11 was uninsured and uncollateralized.

The Foundation has no policy limiting its custodial credit risk.

Due to the statutory nature of the creation of the Tennessee Residence Foundation, the funds of the organization are considered public funds. In April 2015, these funds were designated by the financial institution as public funds collateralized under the Tennessee Bank Collateral Pool.

### **Note 3. Contributions**

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets to a more limited use than the purpose for which the Foundation as a whole was established.

### **Note 4. Unconditional Promises to Give**

Unconditional promises to give are recognized as a receivable. Conditional promises to give are not included as support until the conditions are substantially met. As of December 31, 2015, and December 31, 2014, all receivables are for unconditional promises to give and are expected to be collected within one year.

## **Notes to the Financial Statements (Continued)**

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### **Note 5. Noncash Contributions**

Noncash contributions represent the value of goods and services provided by an external organization. These noncash contributions consisted of goods and services provided for fundraising events (\$40,000) for the year ended December 31, 2015. As it would have been necessary for the Foundation to provide these items had they not been donated, the receipt of these contributions resulted in current financial resources and was recognized in the financial statements. There were no noncash contributions of goods and services for the year ended December 31, 2014.

### **Note 6. Unrestricted Net Position**

Unrestricted net position for the year ended December 31, 2015, included \$100,224 that has been designated for operating reserves. The amount designated for the year ended December 31, 2014, was \$100,000.

### **Note 7. Commitments**

There are no outstanding commitments at December 31, 2015. In January 2016, the organization entered into a commitment under a contract totaling \$25,011 for tree planting.